



Industry refutes calls for import tariff intervention

By [Kris Bevill](#) | January 18, 2011

The Renewable Fuels Association and Sen. Chuck Grassley, R-Iowa, are taking an aggressive stance against threats from UNICA, Brazil's sugarcane industry association, that it will pursue World Trade Organization intervention regarding the U.S. import tariff on ethanol. UNICA has disputed the 54-cent-per-gallon tariff for years and said in December that if the tariff was not allowed to expire at the end of 2010 it would urge the Brazilian government to immediately initiate dispute settlement proceedings at the WTO. On Jan. 10, Sens. John McCain, R-Ariz., and John Barrasso, R-Wyo., met with Brazilian President Dilma Rouseff to discuss regional security and trade after which McCain told reporters he believes the WTO would rule against the U.S. "because it's clearly a subsidy that is neither warranted, nor in keeping with WTO regulations."

The RFA and Grassley quickly pointed out that the tariff does not, in fact, qualify as a subsidy and is therefore certain to withstand WTO scrutiny. The RFA issued a letter to both senators on Jan. 18, expressing the industry's concern over the matter. "While agreeing to disagree about the efficacy of the ethanol tax incentives, I respectfully submit that your assessment of the policies' compliance with WTO strictures is simply incorrect and not supported by any reasoned analysis or WTO precedent," the letter stated. "We strongly disagree that this or any other part of the U.S. ethanol program is contrary to the WTO Agreement on Subsidies and Countervailing Measures or any other WTO regulation."

Grassley produced a letter dated Oct. 1, 2008, from then-U.S. Trade Representative Susan Schwab in which she states that the tariff is allowable and there are no known WTO obligations that would require the U.S. to reduce the tariff. "This isn't a question for debate," Grassley stated. "The highest authority on U.S. trade policy said more than two years ago that the U.S. ethanol tariff is clearly permitted under WTO rules. Besides, the United States already provides generous duty-free access to ethanol from Brazil and other countries imported under the Caribbean Basin Initiative, but the CBI cap has never once been filled. In fact, as of Dec. 20, Brazil and other countries filled the cap for 2010 less than 1 percent."

Still, UNICA appears intent to proceed with its campaign for WTO intervention. "To hear senators with the influence of John McCain, who was a presidential candidate in the United States, repeating positions that we intensely defend in our work with the U.S. government and the American public, once again demonstrates the impact of our efforts abroad," UNICA President Marcos Jank said. "The message has been absorbed and understood by people of decisive weight. Since the renewal of the tariff and subsidies, which will cost Americans \$6 billion in 2011, UNICA has made it clear that it favors a grievance by the Brazilian government

at the WTO against the U.S. policy of protecting domestic production of biofuels. We've been unable to resolve this through dialogue, so the only option we have left is to take the issue to the WTO, unless perspectives like those of the senators who came to Brazil lead to a realistic prospect for change in this Congressional session."

A spokesperson for McCain's office declined to comment on the RFA's letter or provide a precedent to support the senator's comment in support of WTO action, stating only that "Sen. McCain is unalterably opposed to ethanol subsidies."